

ADAMS TOWNSHIP SCHOOL DISTRICT
PAINESDALE, MICHIGAN

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

June 30, 2005

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Bruce A Rukkila, CPA, PC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Adams Township School District
Painesdale, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adams Township School District as of and for the year then ended June 30, 2005, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Adams Township School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Michigan School Auditing Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams Township School District as of June 30, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 7 through 14 and 37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Adams Township School District's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

September 7, 2005



Bruce A Rukkila, CPA, PC

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Adams Township School District
Painesdale, Michigan

We have audited the general purpose financial statements of Adams Township School District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Adams Township School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adams Township School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the School District's Board of Education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

September 7, 2005

**Adams Township School District
Management's Discussion and Analysis
June 30, 2005**

This section of Adams Township School District's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2005. Please read it in conjunction with the School District's financial statements, which immediately follows this section.

Financial Highlights

This is the third straight year without an increase in the state aid foundation allowance. The 2004-05 project shortfall was \$151,000, but with watchful spending throughout the school district the shortfall ended at \$88,196. Even with the funding constraints we have been able to continue to provide a high quality education program which is confirmed by the "A" received on the report card from Michigan Department of Education for the Middle and High School.

For three years we have been provided a contribution each year of \$60,000 from John and Ruanne Opie and this year we received an additional contribution of \$30,000 from G.E. Foundation.

We upgraded our technology with the installation of wireless access and purchased 30 laptop computers and cart system that allows the computers to be used in each classroom. This was made possible through the receipt of a federal grant through the Small Rural Schools Achievement Program. The students have enjoyed having this technology available. In addition, we were able to purchase a new school bus without financing.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Overview of the Financial Statements - Continued

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds, Capital Project Fund, School Food Service, and Athletics funds.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Debt Retirement Fund meet this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the general fund.
- Other supplementary information provides detailed information about the General, Capital Projects, School Food Service and Athletic Funds.

Adams Township School District
Management's Discussion and Analysis
June 30, 2005

Summary of Net Assets

	2005	2004
Assets		
Current and other assets	\$ 1,085,511	\$ 1,088,455
Restricted investments	657,988	563,355
Capital assets - Net of accumulated depreciation	6,528,665	6,721,591
Total Assets	\$ 8,272,164	\$ 8,373,401
Liabilities		
Current liabilities	\$ 978,468	\$ 893,176
Long-term liabilities	7,169,610	7,222,283
Total Liabilities	8,148,078	8,115,459
Net Assets		
Invested in property and equipment - net of related debt	(929,323)	(778,729)
Restricted	668,205	601,805
Unrestricted	385,204	434,866
Total net assets	124,086	257,942
Total Liabilities and Net Assets	\$ 8,272,164	\$ 8,373,401

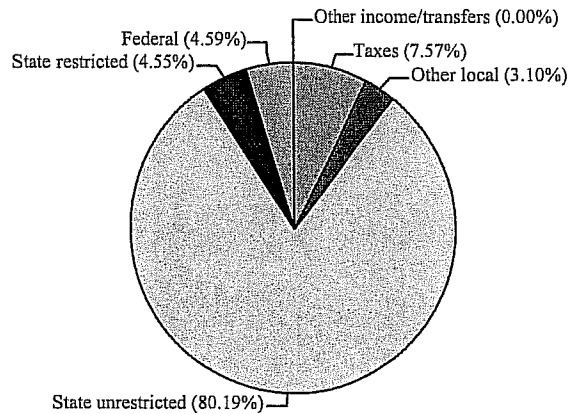
Results of Operations in Governmental Activities

	2005	2004
Program Revenue:		
Charges for services	\$ 84,001	\$ 87,657
Grants and contributions	506,268	788,448
General Revenue:		
Property taxes	620,846	591,499
State foundation allowance	2,822,513	2,980,157
Other	(32,247)	(249,051)
Total Revenue	4,001,381	4,198,710
Functions/Program Expenses		
Instruction	2,273,817	2,163,141
Support services	1,308,124	1,299,398
Capital projects	0	304,335
School food services	190,205	175,951
Athletics	63,107	31,845
Interest on long-term debt	245,654	448,351
Other debt	54,330	1,050
Total Expenses	4,135,237	4,424,071
Change in Net Assets	(133,856)	(225,361)
Net Assets - Beginning	257,942	483,303
Net Assets - Ending	\$ 124,086	\$ 257,942

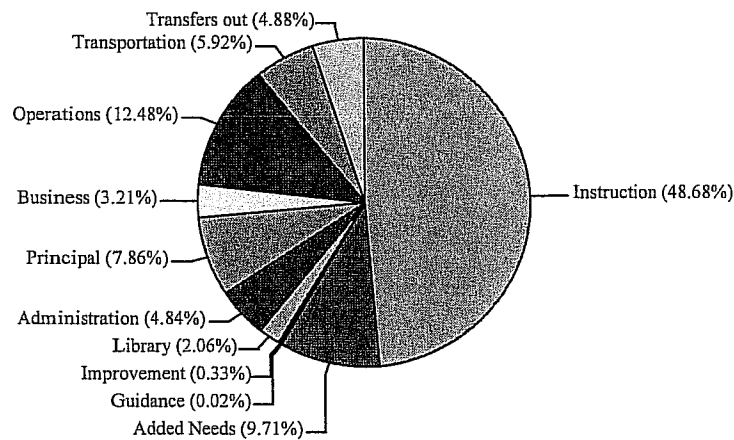
**Adams Township School District
Management's Discussion and Analysis
June 30, 2005**

The following charts highlight the District's General Fund activities:

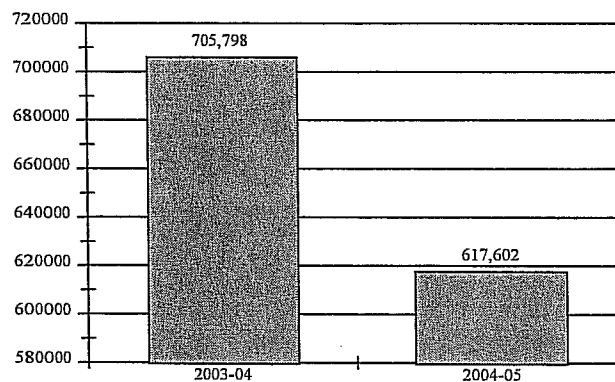
2004-05 Revenues



2004-05 Expenditures



Fund Balance Comparison



Adams Township School District
Management's Discussion and Analysis
June 30, 2005

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 3,519,802	\$ 4,016,748	\$ (496,946)
Expenditures/Transfers	\$ 3,607,998	\$ 3,718,714	\$ (110,716)
Fund Balance	\$ 617,602	\$ 705,798	\$ (88,196)
Debt Retirement Fund:			
Revenues/Transfers	\$ 500,976	\$ 489,187	\$ 11,789
Expenditures/Transfers	\$ 375,298	\$ 355,812	\$ 19,486
Fund Balance	\$ 595,001	\$ 469,323	\$ 125,678
Capital Projects Fund:			
Revenues/Transfers	\$ 5,000	\$ 5,567	\$ (567)
Expenditures/Transfers	\$ 0	\$ 304,335	\$ (304,335)
Fund Balance	\$ 5,000	\$ 0	\$ 5,000
School Food Service Fund:			
Revenues/Transfers	\$ 180,469	\$ 182,653	\$ (2,184)
Expenditures/Transfers	\$ 190,205	\$ 175,951	\$ 14,254
Fund Balance	\$ 7,315	\$ 17,025	\$ (9,710)
Athletic Fund:			
Revenues/Transfers	\$ 63,331	\$ 46,747	\$ 16,584
Expenditures/Transfers	\$ 61,714	\$ 30,451	\$ 31,263
Fund Balance	\$ 18,241	\$ 16,624	\$ 1,617

General Fund - The District's state revenue decrease by \$214,813 in the areas of unrestricted state aid and special education. Federal sources increased by \$26,753 for Title I. Local sources increased in tax revenue of \$17,494 and a reduction of contributions in the amount of \$250,000 representing prior year's scholarship donation.

Debt Service Fund - The Debt Service Fund collects property taxes and receives interest earnings on bank deposits to finance the payment of interest and principal on bond issue-related debt of the District. This year we borrowed \$145,180 from the School Bond Loan Fund in order to make the interest and principal payments.

Capital Projects Fund - The Capital Projects Fund is used for the purpose of setting aside money from the General Fund for future building repairs/improvements, and technology updates. By doing this, when a major capital purchase is needed, all the money does not have to come out of the General Fund at one time.

School Food Service Fund - The Food Service program for the District has required operating transfers from the General Fund in recent years. This year a transfer of \$7,834. The increase in expenditures is related to health insurance.

Athletic Fund - The Athletic Fund is supported primarily by operating transfers from the General Fund. This fund also collects revenues in the form of gate receipts. The transfer from General Fund for this year totaled \$35,340. The District has required fund-raising to be performed for each sport to assist in the in the amount needed from General Fund. Transportation costs were also recorded in the athletic fund this year. This year we hosted the District's Boys and Girls Basketball tournament.

**Adams Township School District
Management's Discussion and Analysis
June 30, 2005**

Changes to Budget and Comparison to Actual Results

The original budget is required to be adopted before the beginning of the fiscal year by State law. For the fiscal year ended June 30, 2005, the original budget was adopted on June 09, 2004. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances, therefore the District amended it's budget twice during the fiscal year.

Changes between original and final budget

Revenues were increase in two areas: State sources were increased in the area of State Aid after receiving the actual three year average enrollment and noting that it was higher than expected. The federal sources were increased in connection with the REAP Grant that was approved.

Expenditures were increase under instructional for computer purchases utilizing the REAP grant funds.

Changes between final budget and actual

Revenues changes consisted of: Local revenues contributions were budgeted higher than actually received. State sources show an increase from budget and represents Driver's Education grant received.

Expenditures in general were reduced in almost every area. In instructional services Special Education had a wage increase and lower health insurance expense for a staff not needing the coverage for an estimated \$10,000. Technology equipment purchase was \$11,000 below budgeted. Supporting services had budget variances for several reasons throughout the area. Heating costs for the elementary school were estimated \$5,400 higher than actual. In operation and maintenance \$15,000 for the replacement of carpet in the elementary school was delayed. Election expenditures estimated at \$1,000 were not need as budgeted. Insurance costs, equipment contracts and custodial supplies showed an accumulated decrease \$11,400. The board of education eliminated expenditures by \$4,748 to assist in the constraints.

Capital Assets and Debt Administration

Capital Assets: The District's net investment in capital assets did change this year in connection with the purchase and removal of school buses and recording of depreciation.

Additional information on the District's capital assets can be found on page 25 of this report.

Long-term Debt: At the end of the current fiscal year, the Districts total debt was \$7,384,061. This total amount is backed by the full faith and credit of the District. The District's total debt was decreased by \$54,795 during the fiscal year and the School Bond Loan Fund's accrued interest was increased by \$22,540.

Additional information on the District's long-term debt can be found on page 26 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

Our elected officials and administration consider many factors when setting the School District's fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

State revenues received by Michigan school districts are approved annually in a State Aid Act. This Act was approved by the State Legislature prior to the beginning of the school year and provides a foundation amount (amount per student) of \$6,875 for the 2005-06 school year. This is a \$175 per student increase over 2004-05 and will be the first increase in three years.

Approximately 80 percent of total General Fund revenues is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Adams Township School District.

ADAMS TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 487,394
Taxes receivable	43,015
Accounts receivable	4,133
Inventory	3,112
Due from other governmental units	547,857
TOTAL CURRENT ASSETS	<u>1,085,511</u>
NON-CURRENT ASSETS:	
Restricted cash	657,988
Capital assets	7,608,201
Less: Accumulated depreciation	<u>(1,079,536)</u>
	6,528,665
TOTAL NON-CURRENT ASSETS	<u>7,186,653</u>
TOTAL ASSETS	<u>\$ 8,272,164</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 8,666
Accrued expenses	302,511
Accrued interest	263,677
Due to other governmental units	37,063
Deferred revenue	90,536
Short-term note payable	61,564
Notes payable within one year	13,951
Bonds payable within one year	200,500
TOTAL CURRENT LIABILITIES	<u>978,468</u>
NON-CURRENT LIABILITIES	
Bonds payable, due in more than one year	5,760,000
Installment loans payable, due in more than one year	28,155
Compensated absences	189,750
School bond loan fund payable	1,191,705
TOTAL NON-CURRENT LIABILITIES	<u>7,169,610</u>
TOTAL LIABILITIES	<u>8,148,078</u>
NET ASSETS	
Invested in capital assets, net of related debt	(929,323)
Restricted for debt service	595,001
Reserved	73,204
Unreserved	385,204
TOTAL NET ASSETS	<u>124,086</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,272,164</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

				Governmental Activities
		Program Revenues		Net (Expense)
			Operating	Revenue and
		Charges for	Grants and	Changes in Net
<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Assets</u>
Government Activities:				
Instruction and instructional support	\$ 2,273,817	\$ -	\$ 381,832	\$ (1,891,985)
Support services	1,308,124	-	-	(1,308,124)
School service	190,205	48,176	124,436	(17,593)
Athletics	63,107	35,825	-	(27,282)
Interest on long-term debt	245,654	-	-	(245,654)
Other debt service	54,330	-	-	(54,330)
Total Governmental Activities	<u>\$ 4,135,237</u>	<u>\$ 84,001</u>	<u>\$ 506,268</u>	<u>(3,544,968)</u>
General Revenues:				
Taxes				
Property taxes, levied for general operation				266,364
Property taxes, levied for debt service				354,482
State school aid - unrestricted				2,822,513
Interest and investment earnings				11,346
Other				39,084
Transfers				<u>(82,677)</u>
Total general revenues and transfers				<u>3,411,112</u>
Change in Net Assets				(133,856)
Net Assets - Beginning				<u>257,942</u>
Net Assets - Ending				<u>\$ 124,086</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2005

	General	Debt Service Fund	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 469,849	\$ -	\$ 22,545	\$ 492,394
Taxes receivable	27,798	15,217	-	43,015
Accounts receivable	-	-	4,133	4,133
Inventory	-	-	3,112	3,112
Due from other governmental units	546,751	-	1,106	547,857
Due from other funds	340	-	-	340
Restricted cash	73,204	579,784	-	652,988
TOTAL ASSETS	\$ 1,117,942	\$ 595,001	\$ 30,896	\$ 1,743,839
LIABILITIES				
Accounts payable	\$ 8,666	\$ -	\$ -	\$ 8,666
Accrued expenses	302,511	-	-	302,511
Due to other governmental units	37,063	-	-	37,063
Due to other funds	-	-	340	340
Short-term notes payable	61,564	-	-	61,564
Deferred revenue	90,536	-	-	90,536
TOTAL LIABILITIES	500,340	-	340	500,680
FUND BALANCES:				
Reserved	73,204	595,001	-	668,205
Unreserved	544,398	-	30,556	574,954
TOTAL FUND BALANCES	617,602	595,001	30,556	1,243,159
TOTAL LIABILITIES AND FUND BALAN	\$ 1,117,942	\$ 595,001	\$ 30,896	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,528,665
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(7,384,061)
Accrued interest is not included as a liability in governmental funds	(263,677)
Net assets of governmental activities	<u>\$ 124,086</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

	General Fund	Debt Service Fund	Other Non-major Governmental Funds	Totals
REVENUES				
Local sources	\$ 375,541	\$ 355,796	\$ 84,024	\$ 815,361
State sources	2,982,679	-	12,392	2,995,071
Federal sources	161,582	-	112,044	273,626
Total revenues	3,519,802	355,796	208,460	4,084,058
EXPENDITURES				
Instruction	2,106,743	-	-	2,106,743
Supporting services	1,318,640	-	-	1,318,640
Debt service	-	210,298	-	210,298
School service	-	-	190,205	190,205
Athletics	-	-	61,714	61,714
Total expenditures	3,425,383	210,298	251,919	3,887,600
Excess (deficiency) of revenue over expenditures	94,419	145,498	(43,459)	196,458
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(40,340)	-	40,340	-
Interest payments on loans	(6,998)	-	-	(6,998)
Other outgoing transfers	(82,677)	-	-	(82,677)
Debt principal payments	(52,600)	(165,000)	-	(217,600)
Loan proceeds	-	145,180	-	145,180
Total other financing sources (uses)	(182,615)	(19,820)	40,340	162,095
NET CHANGE IN FUND BALANCE	(88,196)	125,678	(3,119)	34,363
FUND BALANCES - BEGINNING OF YEAR	705,798	469,323	33,675	
FUND BALANCES - END OF YEAR	\$ 617,602	\$ 595,001	\$ 30,556	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(192,926)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(47,713)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	(145,180)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	217,600
Changes in net assets of governmental activities	\$ (133,856)

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Fiduciary Fund</u>
ASSETS:	
Cash and investments	\$ 58,660
TOTAL ASSETS	<u>\$ 58,660</u>
LIABILITIES:	
Due to student groups	\$ 12,948
Due to scholarship funds	<u>45,712</u>
TOTAL LIABILITIES	<u>\$ 58,660</u>

The accompanying notes to the financial statements are an integral part of this statement.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Adams Township School District conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the more significant policies:

REPORTING ENTITY

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility includes, but is not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the School is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of the potential component unit addressed in defining the government's reporting entity.

Excluded from the reporting entity:

Adams Township Public Schools Foundation, Inc.

The potential component unit has a separately elected board and provides assistance with development, implementation, and/or maintenance of educational programs which significantly contribute to the education and personal growth of Adams Township School students. The foundation is excluded from the reporting entity because the school does not have the ability to exercise influence or control over the operations, approve budgets, or provide funding.

DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, & FINANCIAL STATEMENT PRESENTATION

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue are (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Food Service, and Athletic Activities.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the School District's capital structures.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Fund - The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. The district does not have any investments.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds."

Property tax revenue is recognized in the year for which taxes have been levied, provided they are available to finance expenditures of the current period in accordance with the National Council on Governmental Accounting Interpretation No. 3, Revenue Recognition - Property Taxes. Property taxes are levied by Adams Township on December 1 and become due on February 14.

The 2004 non-homestead and homestead taxable valuation of the District amounted to \$14,798,018 and \$16,161,138, respectfully. Ad valorem taxes of \$266,364 were levied for operating purposes (18.00 mills) based on non-homestead taxable valuation and \$354,482 for debt retirement (11.45 mills) based on homestead and non-homestead taxable valuation. These amounts are recorded as revenue on the District's records in and for the fiscal year ending June 30, 2005.

Inventory

Inventory in the School District's Special Revenue Fund consists of food, a la carte items, and other supplies totaling \$3,113. The School District utilizes the consumption method of recording inventories of food supplies in the School Service Fund. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at cost.

All other funds utilize the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Fixed assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits

The liabilities for accrued benefits reported in the district-wide statements in the amount of \$189,750, consisted of retirement incentives.

Teachers - The District's contract with the Copper Country Education Association includes a retirement incentive payment to retiring teachers with at least 10 years of service. The minimum benefit is \$4,500 and is increased each 10 years by \$1,500 with a maximum of \$7,500. As of June 30, 2005, there were 19 teachers who qualified for the early retirement incentive. The potential liability to the District at June 30, 2005 was \$142,500.

Twelve Month Employees - The District's contract with the Adams Township School District Support Personnel Association MEA/NEA includes a retirement incentive payment to eligible retiring twelve month employees with at least 10 years of service. The minimum benefit is \$4,500 and is increased each 10 years by \$1,500 with a maximum of \$7,500. As of June 30, 2005, there were three employees who qualified for the early retirement incentive. The potential liability to the District at June 30, 2005 was \$18,000.

School Year Employees - The District's contract with the Adams Township School District Support Personnel Association MEA/NEA includes a retirement incentive payment to eligible retiring school year employees and teachers with at least 10 years of service. The minimum benefit is \$3,375 and is increased each 10 years by \$1,125 with a maximum of \$5,625. As of June 30, 2005, there were eight employees who qualified for the early retirement incentive. The potential liability to the District at June 30, 2005 was \$29,250.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

BUDGETARY DATA

The School District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to July 1, the School District Superintendent submits to the Board of Education a proposed budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board of Education approval.
4. Any revisions to the budgeted amounts must be approved by the Board of Education.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP.
6. Budgeted amounts presented in the financial statements are as originally adopted, or as amended by the Board of Education.
7. Budget appropriations lapse at the end of the fiscal year.

ENCUMBRANCES

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The District does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

NOTE B - CASH AND INVESTMENTS

CASH DEPOSITS

At year-end, the School District's deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the School District is as follows:

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE B - CASH AND INVESTMENTS (Continued)

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 487,294	\$ 0	\$ 487,294
Petty cash	100	0	100
Total unrestricted	487,394	0	487,394
Restricted cash	657,988	58,660	716,648
Total cash and cash equivalents	\$ 1,145,382	\$ 58,660	\$ 1,204,042

At June 30, 2005, the book value of the School District's demand deposits, consisting primarily of checking and savings accounts, certificates of deposit and other cash equivalents, was \$1,204,042 with a corresponding bank balance of \$1,258,830. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$858,853, representing approximately 68% of the District's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$858,853 was insured and \$399,977 was neither insured or collateralized.

NOTE C - FIXED ASSETS

Fixed Asset activity of the School District's governmental activities was as follows:

	Balance 06/30/04	Additions	Deletions	Balance 06/30/05
Land	\$ 2	\$ 0	\$ 0	\$ 2
Building and additions	7,046,439	0	0	7,046,439
Improvements other than building	19,200	0	0	19,200
Equipment and furniture	141,422	0	0	141,422
Vehicles	28,160	0	0	28,160
School buses	423,529	0	50,551	372,978
Subtotal	7,658,752	0	50,551	7,608,201
Accumulated depreciation:				
Building and additions	588,879	143,682	0	732,561
Improvements other than building	1,085	960	0	2,045
Equipment and furniture	58,759	8,968	0	67,727
Vehicles	23,003	3,520	0	26,523
School buses	265,435	35,796	50,551	250,680
	937,161	192,926	50,551	1,079,536
Net capital assets	\$ 6,721,591	\$ (192,926)	\$ 0	\$ 6,528,665

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE C - FIXED ASSETS (Continued)

Depreciation expense was charged to activities of the School District as follows:

Governmental activities	
Athletic	\$ 1,393
Instruction	149,449
Operations	6,288
Transportation	35,796
Total governmental activities	<u>\$ 192,926</u>

NOTE D - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2005 are as follows:

Fund	Inter-fund Receivable	Fund	Inter-fund Payable
General	\$ 340	General	\$ 0
School Food Service	0	School Food Service	340
TOTAL	<u>\$ 340</u>	TOTAL	<u>\$ 340</u>

Fund	Transfer In	Fund	Transfer Out
General	\$ 0	General	\$ 40,340
Capital Projects	5,000	Capital Projects	0
School Food Service	7,834	School Food Service	0
Athletic	27,506	Athletic	0
TOTAL	<u>\$ 40,340</u>	TOTAL	<u>\$ 40,340</u>

NOTE E - LONG TERM DEBT

1997 ADVANCE REFUNDING

On February 14, 1997, the District issued \$2,520,000 of general obligation-unlimited tax bonds to advance refund \$2,275,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds will be used to pay certain costs of issuance relating to the partial refunding of 1994 School Building and Site Bonds dated November 1, 1994 and to establish an "Escrow Fund." The Escrow Fund will be held by an escrow agent and will be used to pay, when due, the principal and interest, and call premiums coming due on the refunded bonds, whether by maturity or by redemption on May 1, 2003. As a result, the refunded bonds are considered to be defeased.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 3.60% to 5.50% per annum. Interest payments started on November 1, 1997, and are payable semi-annually on May 1, and November 1, as indicated. The bonds are to be both term and serial.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE E - LONG TERM DEBT (Continued)

The Bonds, or \$5,000 portions thereof, maturing on or after May 1, 2008 shall be subject to redemption prior to maturity, at the option of the Issuer in such order as the Issuer may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2007 at par plus accrued interest to the date fixed for redemption.

The Bonds due May 1, 2024, are term bonds subject to mandatory redemption in part, by lot, on the redemption dates and in the principal amount set forth below and at a redemption price equal to the principal amount thereof, without a premium, together with interest thereon to the redemption date, as set forth below:

<u>May 1</u>	<u>Redemption Requirement</u>
2017	\$120,000
2018	\$120,000
2019	\$125,000
2020	\$125,000
2021	\$125,000
2022	\$125,000
2023	\$125,000
2024	\$125,000

The principal amount of the Term Bonds to be redeemed on the dates set forth above shall be reduced by the principal amount of the Term Bonds which have been previously redeemed or called for redemption (other than as a result of mandatory redemption) or purchased or acquired by the Issuer and delivered to the Transfer Agent. The Issuer may satisfy mandatory redemption requirements by purchasing and surrendering Term Bonds in lieu of the calling of such Term Bonds for redemption.

SCHEDULE OF 1997 REFUNDING BONDS

<u>Payable School Year</u>	<u>November 1 Interest</u>	<u>May 1 Principal</u>	<u>May 1 Interest</u>	<u>Total</u>
2005-2006	\$ 58,985	\$ 115,000	\$ 58,985	\$ 232,970
2006-2007	56,283	110,000	56,283	222,566
2007-2008	53,642	110,000	53,642	217,284
2008-2009	50,948	110,000	50,948	211,896
2009-2010	48,198	110,000	48,198	206,396
2010-2011	45,392	110,000	45,392	200,784
2011-2012	42,533	110,000	42,533	195,066
2012-2013	39,645	115,000	39,645	194,290
2013-2018	151,656	585,000	151,656	888,312
2018-2023	68,750	625,000	68,750	762,500
2023-2024	3,438	125,000	3,438	131,876
TOTAL	<u>\$ 619,470</u>	<u>\$ 2,225,000</u>	<u>\$ 619,470</u>	<u>\$ 3,463,940</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE E - LONG-TERM DEBT (Continued)

2001 BUILDING AND SITE BONDS - SERIES A

On July 26, 2001, the School District issued \$1,860,000 of unlimited tax general obligation bonds to finance the remodeling, refurbishing, and re-equipping the high school; erecting, furnishing, and equipping an addition; developing and improving the site; and acquiring and installing educational technology improvements.

The bond issue (denominations of \$5,000 or multiples thereof) matures as indicated below with interest at varying rates of 4.20% to 5.00% per annum. Interest payments started on May 1, 2002, and are payable semi-annually on November 1 and May 1 as indicated. The bonds are to be both term and serial.

The Bonds, or portions of Bonds in multiples of \$5,000 of this issue maturing in the years 2012 and thereafter, shall be subject to redemption prior to maturity, at the option of the School District in such order as the School District may determine and by lot within any maturity, on any interest payment date on or after May 1, 2011, at par and accrued interest to the date fixed for redemption.

The Bonds maturing May 1, 2016, May 1, 2021, May 1, 2026, and May 1, 2031 are term bonds subject to mandatory redemption in part, by lot, on the redemption dates and in the principal amounts set forth below and at a redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date, as set forth following:

	<u>Term Bonds due May 1, 2016</u>	
<u>Redemption Dates</u>		<u>Principal Amounts</u>
May 1, 2012		\$50,000
May 1, 2013		\$50,000
May 1, 2014		\$50,000
May 1, 2015		\$50,000
May 1, 2016 (maturity)		\$75,000

	<u>Term Bonds due May 1, 2021</u>	
<u>Redemption Dates</u>		<u>Principal Amounts</u>
May 1, 2017		\$75,000
May 1, 2018		\$75,000
May 1, 2019		\$75,000
May 1, 2020		\$75,000
May 1, 2021 (maturity)		\$75,000

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE E - LONG-TERM DEBT (Continued)

<u>Term Bonds due May 1, 2026</u>	
<u>Redemption Dates</u>	<u>Principal Amounts</u>
May 1, 2022	\$75,000
May 1, 2023	\$75,000
May 1, 2024	\$75,000
May 1, 2025	\$75,000
May 1, 2026 (maturity)	\$75,000

<u>Term Bonds due May 1, 2031</u>	
<u>Redemption Dates</u>	<u>Principal Amounts</u>
May 1, 2027	\$75,000
May 1, 2028	\$75,000
May 1, 2029	\$75,000
May 1, 2030	\$75,000
May 1, 2031 (maturity)	\$75,000

SCHEDULE OF 2001 BONDS - SERIES A

<u>Payable School Year</u>	<u>November 1 Interest</u>	<u>May 1 Principal</u>	<u>May 1 Interest</u>	<u>Total</u>
2005-2006	\$ 41,575	\$ 50,000	\$ 41,575	\$ 133,150
2006-2007	40,525	50,000	40,525	131,050
2007-2008	39,450	50,000	39,450	128,900
2008-2009	38,350	50,000	38,350	126,700
2009-2010	37,250	50,000	37,250	124,500
2010-2011	36,125	50,000	36,125	122,250
2011-2012	35,000	50,000	35,000	120,000
2012-2013	33,750	50,000	33,750	117,500
2013-2018	148,125	325,000	148,125	621,250
2018-2023	103,125	375,000	103,125	581,250
2023-2028	56,250	375,000	56,250	487,500
2028-2031	11,250	225,000	11,250	247,500
TOTAL	\$ 620,775	\$ 1,700,000	\$ 620,775	\$ 2,941,550

2001 BUILDING AND SITE BONDS - SERIES B

On October 9, 2001, the School District issued \$2,000,000 of unlimited tax general obligation, Qualified Zone Academy Bonds to finance the remodeling, refurbishing, and re-equipping the high school; developing and improving the site; and acquiring and installing educational technology improvements.

The bond issue (denominations of \$5,000 or multiples thereof) matures as indicated below and bears an interest rate of 0.00% per annum. The Bonds are not subject to redemption prior to maturity. The School District is required to make yearly payments starting in 2002 and continuing through 2014 of \$132,319 to a set aside account to be used for the principal payments.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE E - LONG-TERM DEBT (Continued)

SCHEDULE OF 2001 BONDS - SERIES B

<u>Fiscal Year</u>	<u>Principal</u>
2011-12	\$ 95,000
2012-13	635,000
2010-11	36,125
2013-14	635,000
2014-15	635,000
	<u>\$ 2,036,125</u>

SERIES 2001 QZAB BONDS

On August 1, 2001, the School District issued \$71,000 of Qualified Zone Academy Bonds (QZAB) to finance the purchase of a school bus and computers.

The bond issue matures as indicated below and bears an interest rate of 0.00% per annum. The Bonds are not subject to redemption prior to maturity. The School District is required to make yearly payments starting in 2002 and continuing through 2005 of \$17,750 to a set aside account to be used for the principal payments.

SCHEDULE OF SERIES 2001 QZAB BONDS

<u>Fiscal Year</u>	<u>Principal</u>
2005-06	<u>\$ 35,500</u>

SCHOOL BOND LOAN FUND

During the year ended June 30, 2005 the School District borrowed funds from the Michigan School Bond Loan Fund for the purpose of making principal and interest payments on debt associated with the construction of the District's school. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can loan the school district funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. During the year ended June 30, 2005 the School District borrowed \$145,180 from the school bond loan fund to cover debt payments on the 1994 bond issue. At June 30, 2005, the balance due to the School Bond Loan Fund, including accrued interest of \$246,917 was \$1,438,622.

The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the School District's 1994 bond issue. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds.

The interest rate associated with loans from the School Bond Loan Fund is established periodically by the State Administrative Board. The rate at June 30, 2005 was 3.25%.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE E - LONG-TERM DEBT (Continued)

OTHER LONG-TERM DEBT

The School District has several installment loans payable which are detailed below.

SCHEDULE OF LOANS PAYABLE

Purpose of Loan	Date of Issue	Original Amount	Maturity	Interest Rate	Balance 06/30/05
2000 School Bus	06/28/04	<u>\$ 56,673</u>	06/28/08	2.99%	<u>\$ 42,106</u>

As of June 30, 2005, the aggregate maturities of loans payable are as follows:

Fiscal Year	Principal	Interest	Total
2005-2006	\$ 12,923	\$ 873	\$ 13,796
2006-2007	14,373	676	15,049
2007-2008	14,810	241	15,051
	<u>\$ 42,106</u>	<u>\$ 1,790</u>	<u>\$ 43,896</u>

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2005:

	Balance June 30, 2004	Increase	Decrease	Balance June 30, 2005	Current Portion
1997 Refunding Bonds	\$ 2,340,000	\$ 0	\$ 115,000	\$ 2,225,000	\$ 115,000
2001 Series A	1,750,000	0	50,000	1,700,000	50,000
2001 Series B-QZAB	2,000,000	0	0	2,000,000	35,500
2001 QZAB Bonds	71,000	0	35,500	35,500	0
Installment Loans	59,206	0	17,100	42,106	13,951
School Bond Loan	1,046,525	145,180	0	1,191,705	0
	<u>7,266,731</u>	<u>145,180</u>	<u>217,600</u>	<u>7,194,311</u>	<u>\$ 214,451</u>
Accrued Interest	233,589	30,088	0	263,677	
Accrued Benefits	172,125	17,625	0	189,750	
TOTAL	<u>\$ 7,672,445</u>	<u>\$ 192,893</u>	<u>\$ 217,600</u>	<u>\$ 7,647,738</u>	

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE E - LONG-TERM DEBT (Continued)

As of June 30, 2005, the aggregate maturities of long-term debt for the next five years are as follows:

Fiscal Year	Principal	Interest	Total
2005-2006	\$ 213,423	\$ 201,993	\$ 415,416
2006-2007	174,373	194,292	368,665
2007-2008	174,810	186,425	361,235
2008-2009	160,000	178,596	338,596
2009-2010	160,000	170,896	330,896
2010-2011	160,000	163,034	323,034
2011-2012	255,000	155,066	410,066
2012-2013	800,000	146,790	946,790
2013-2018	2,180,000	599,562	2,779,562
2018-2023	1,000,000	343,750	1,343,750
2023-2028	500,000	119,376	619,376
2028-2031	1,416,705	238,708	1,655,413
	<u>\$ 7,194,311</u>	<u>\$ 2,698,488</u>	<u>\$ 9,892,799</u>

NOTE F - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service; or at age sixty with at least 10 years of credited service; or at age 60 with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE F - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

The District was required by the state statute to contribute 12.99% of covered compensation through September 30, 2004 and 14.87% of covered compensation to the Plan for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2005 was \$351,067, which consisted of \$292,877 from the District and \$58,190 from employees electing the MIP option. These represent approximately 14.35% and 2.85% of covered payroll, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2005 was approximately \$2,040,751. The District's total payroll was approximately \$2,041,641.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among MPSERS and employers. The MPSERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2004 for the MPSERS as a whole, the actuarial accrued liability was \$44.8 billion. The pension plan net assets were \$38.7 billion, resulting in a ratio of assets at market value to the actuarial accrued liability of 80.36%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time. The District's 2005 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS' September 30, 2004 annual report.

The State of Michigan is responsible for the payment of retirement benefits.

NOTE G - RESERVE FUND BALANCES

The Debt Service fund balance is designated for retirement of debt. According to generally accepted accounting principles, designated fund balances are reported as part of the unreserved fund balance.

NOTE H - FOUNDATION REVENUE

Effective as of fiscal year 1994-95 the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. The foundation allowance is based on the average of pupil membership counts taken in February and September of the previous year.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE H - FOUNDATION REVENUE (Continued)

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The school district levies 16.8318 mills for non-homestead property taxes. State revenue recognized during the foundation period (currently the fiscal year) is as follows:

2004-05 Foundation	\$	6,700.00
Less Local Support:		
Non-Homestead Tax Value	14,798,018	
Multiplied by mills	<u>0.018</u>	
Total Local Support	266,364	
Divided by General Education K-12 membership	<u>463.05</u>	
Calculated Local Support		<u>(575.24)</u>
2003-04 Foundation Grant Allowance Per Pupil	\$	<u><u>6,124.76</u></u>

NOTE I - RECONCILIATION OF R7120 TO REPORTED FEDERAL REVENUES

The amounts reported as current payments on the R7120, Grant Section Auditors Report prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 18 as follows:

Total current payments per R7120	\$	232,394
Less State Grants:		
Driver's Education	(2,342)	
School Breakfast	(7,204)	
Plus:		
REAP Grant	36,216	
USDA Commodities	<u>14,562</u>	
Total Federal Financial Assistance	\$	<u><u>273,626</u></u>

The School District expended less than \$500,000 in Federal awards during the fiscal year ended June 30, 2005 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

ADAMS TOWNSHIP SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - June 30, 2005

NOTE J - CONTINGENT LIABILITIES

Risk Pool

Adams Township School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Adams Township School District joined together with other school districts currently operating a common risk management and insurance program. Adams Township School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Adams Township School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2005, which can be obtained through the School District

NOTE K - PRIOR PERIOD ADJUSTMENTS

General Fund - During the current year it was discovered that the beginning fund balance needed to be adjusted for the following reasons:

Accrued expenditures for employee benefits were understated at June 30, 2004 in the amount of \$43,959 for health insurance.

Note Payable principal payments were incorrectly posted as interest expenses as of June 30, 2004.

Prior year ending fund balance	\$ 728,075
Accrued Expenditures	(43,959)
Principal payment on Note Payable	21,682
Restated fund balance	<u>\$ 705,798</u>

NOTE L - RECLASSIFICATION

Certain items in the June 2004 financial statements have been reclassified to conform with the current year presentation.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

ADAMS TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Local sources	\$ 362,899	\$ 362,899	\$ 375,541	\$ 12,642
State sources	2,928,912	2,991,882	2,982,679	(9,203)
Federal sources	144,366	161,366	161,582	216
TOTAL REVENUE	3,436,177	3,516,147	3,519,802	3,655
EXPENDITURES:				
Instruction	2,092,155	2,135,155	2,106,743	28,412
Supporting services	1,364,665	1,358,665	1,318,640	40,025
TOTAL EXPENDITURES	3,456,820	3,493,820	3,425,383	68,437
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,643)	22,327	94,419	72,092
OTHER FINANCING SOURCES (USES)				
Incoming transfers - other schools	-	-	-	-
Operating transfers out	(41,000)	(41,000)	(40,340)	660
Loan Proceeds	-	-	-	-
Other outgoing transfers	(104,000)	(104,000)	(82,677)	21,323
Total other financing sources (uses)	(145,000)	(145,000)	(123,017)	(21,983)
NET CHANGE IN FUND BALANCE	(165,643)	(122,673)	(28,598)	50,109
FUND BALANCE - BEGINNING OF YEAR	705,798	705,798	705,798	-
FUND BALANCE - END OF YEAR	\$ 540,155	\$ 583,125	\$ 677,200	\$ (94,075)

SUPPLEMENTAL FINANCIAL INFORMATION

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
REVENUES:		
Local sources:		
Taxes:	\$ 266,364	\$ 248,870
Other local sources:		
Investment revenue	10,359	7,788
Tuition	9,545	1,175
Rentals	704	-
Contributions	60,084	310,484
Miscellaneous	28,485	31,129
Total other local sources	<u>109,177</u>	<u>350,576</u>
Total local sources	<u>375,541</u>	<u>599,446</u>
State sources:		
Unrestricted grant - State Aid	<u>2,822,513</u>	<u>2,980,157</u>
Restricted grants:		
Driver's education	10,081	12,700
Special Education	53,981	93,627
Vocational education	4,248	1,931
At-risk	90,979	106,559
Other state revenue	877	2,518
Total restricted grants	<u>160,166</u>	<u>217,335</u>
Total state sources	<u>2,982,679</u>	<u>3,197,492</u>
Federal sources:		
Title I	124,906	98,153
Title V	4,912	5,413
Title II	31,764	32,219
Other federal sources	-	1,100
Total federal sources	<u>161,582</u>	<u>136,885</u>
TOTAL REVENUES	<u>3,519,802</u>	<u>3,933,823</u>
EXPENDITURES:		
Instruction:		
Basic program:		
Elementary School	863,416	822,458
High School	893,005	898,103
Total basic program	<u>1,756,421</u>	<u>1,720,561</u>
Added needs:		
Special education - Elementary School	147,176	127,228
Compensatory education	93,130	109,123

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
For the Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
At-Risk	110,016	110,966
Total added needs	<u>350,322</u>	<u>347,317</u>
Total instruction	<u>2,106,743</u>	<u>2,067,878</u>
Supporting services:		
Pupil:		
Guidance	<u>590</u>	<u>404</u>
Instructional staff:		
Improvement of instruction	12,038	14,812
Library	<u>74,433</u>	<u>81,825</u>
Total instructional staff	<u>86,471</u>	<u>96,637</u>
General administration:		
Board of education	60,675	44,860
Executive administration	<u>113,807</u>	<u>120,318</u>
Total general administration	<u>174,482</u>	<u>165,178</u>
School administration		
Elementary - Principal	147,208	154,519
High School - Principal	<u>136,452</u>	<u>137,509</u>
Total school administration	<u>283,660</u>	<u>292,028</u>
Business-fiscal services	<u>109,382</u>	<u>107,289</u>
Operation & maintenance	<u>450,351</u>	<u>460,420</u>
Pupil transportation	<u>213,704</u>	<u>177,936</u>
Total supporting services	<u>1,318,640</u>	<u>1,299,892</u>
TOTAL EXPENDITURES	<u>3,425,383</u>	<u>3,367,770</u>
Excess of revenues over expenditures	<u>94,419</u>	<u>566,053</u>
OTHER FINANCING SOURCES (USES):		
Incoming transfers - other schools	-	26,252
Operating transfer out	(40,340)	(21,448)
Loan proceeds	-	56,673

ADAMS TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
Other outgoing transfers	(82,677)	(296,034)
Interest payments on loans	(6,998)	(3,991)
Debt principal payments	<u>(52,600)</u>	<u>(29,471)</u>
Total other financing sources (uses)	<u>(182,615)</u>	<u>(268,019)</u>
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses	(88,196)	298,034
FUND BALANCE, BEGINNING OF YEAR	<u>705,798</u>	<u>407,764</u>
FUND BALANCE, END OF YEAR	<u>\$ 617,602</u>	<u>\$ 705,798</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
DEBT SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
REVENUES:		
Local sources:		
Taxes:		
Current taxes	\$ 354,482	\$ 337,011
Interest income	1,314	773
Other taxes	-	5,618
TOTAL REVENUES	<u>355,796</u>	<u>343,402</u>
EXPENDITURES:		
Interest on bonds	208,568	214,763
Other expense	1,730	1,050
TOTAL EXPENDITURES	<u>210,298</u>	<u>215,813</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	145,498	127,589
OTHER FINANCING SOURCES (USES)		
Redemption of bond principal	(165,000)	(140,000)
SBLF loan proceeds	145,180	145,785
TOTAL OTHER FINANCING SOURCES	<u>19,820</u>	<u>(5,785)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>125,678</u>	<u>133,374</u>
FUND BALANCE, BEGINNING OF YEAR	<u>469,323</u>	<u>335,949</u>
FUND BALANCE, END OF YEAR	<u>\$ 595,001</u>	<u>\$ 469,323</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2005

	School Food Service	Athletic	Capital Projects	Totals Memorandum Only	
				2005	2004
ASSETS AND OTHER DEBITS					
Cash	\$ 3,437	\$ 14,108	\$ 5,000	\$ 22,545	\$ 18,425
Receivables	-	4,133	-	4,133	13,357
Inventory	3,112	-	-	3,112	2,960
Due from other governmental units	1,106	-	-	1,106	1,008
TOTAL ASSETS	<u>\$ 7,655</u>	<u>\$ 18,241</u>	<u>\$ 5,000</u>	<u>\$ 30,896</u>	<u>\$ 35,750</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	772
Due to other funds	340	-	-	340	1,303
TOTAL LIABILITIES	<u>340</u>	<u>-</u>	<u>-</u>	<u>340</u>	<u>2,075</u>
FUND EQUITY:					
Fund balance - unreserved	<u>7,315</u>	<u>18,241</u>	<u>5,000</u>	<u>30,556</u>	<u>33,675</u>
TOTAL LIABILITIES AND FUND EQUI	<u>\$ 7,655</u>	<u>\$ 18,241</u>	<u>\$ 5,000</u>	<u>\$ 30,896</u>	<u>\$ 35,750</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
STATEMENTS OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
REVENUES:		
Local sources:		
Interest	\$ -	\$ 2,117
EXPENDITURES:		
Buildings and additions	-	282,778
Equipment and furniture	-	21,557
TOTAL EXPENDITURES	-	304,335
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(302,218)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	5,000	3,450
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	5,000	(298,768)
FUND BALANCE, BEGINNING OF YEAR	-	298,768
FUND BALANCE, END OF YEAR	\$ 5,000	\$ -

ADAMS TOWNSHIP SCHOOL DISTRICT
SCHOOL FOOD SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
REVENUES:		
Local sources:		
Adult lunches	\$ 2,627	\$ 2,909
A-La-Carte	927	946
Student lunches	31,414	33,093
Miscellaneous	13,231	14,961
Total local sources	<u>48,199</u>	<u>51,909</u>
State sources	<u>12,392</u>	<u>18,162</u>
Federal sources:		
School lunch program	97,482	92,825
USDA entitlements	11,620	11,398
USDA bonus entitlements	2,942	1,361
Total federal sources	<u>112,044</u>	<u>105,584</u>
TOTAL REVENUES	<u>172,635</u>	<u>175,655</u>
EXPENDITURES:		
Salaries	60,155	57,049
Employee benefits	53,677	46,210
Supplies, materials, and other	76,373	72,692
TOTAL EXPENDITURES	<u>190,205</u>	<u>175,951</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,570)	(296)
OTHER FINANCING SOURCES (USES)		
Operating transfers in	<u>7,834</u>	<u>6,998</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(9,736)	6,702
FUND BALANCE, BEGINNING OF YEAR	<u>17,051</u>	<u>10,349</u>
FUND BALANCE, END OF YEAR	<u>\$ 7,315</u>	<u>\$ 17,051</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
ATHLETIC FUND
STATEMENTS OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
REVENUES:		
Local sources:		
Gate receipts	\$ 35,825	\$ 35,747
TOTAL REVENUES	<u>35,825</u>	<u>35,747</u>
EXPENDITURES:		
Purchase services	<u>61,714</u>	<u>30,451</u>
TOTAL EXPENDITURES	<u>61,714</u>	<u>30,451</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(25,889)	5,296
OTHER FINANCING SOURCES (USES)		
Operating transfers in	<u>27,506</u>	<u>11,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	1,617	16,296
FUND BALANCE, BEGINNING OF YEAR	<u>16,624</u>	<u>328</u>
FUND BALANCE, END OF YEAR	<u>\$ 18,241</u>	<u>\$ 16,624</u>

ADAMS TOWNSHIP SCHOOL DISTRICT
TRUST AND AGENCY FUND - SCHOOL ACTIVITIES
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2005

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
ASSETS				
Cash- High School	\$ 11,933	\$ 31,098	\$ 32,991	\$ 10,040
Cash- Elementary School	1,723	9,609	8,424	2,908
TOTAL ASSETS	\$ 13,656	\$ 40,707	\$ 41,415	\$ 12,948
LIABILITIES				
HIGH SCHOOL				
Discretionary Fund	\$ 569	\$ 4,890	\$ 4,965	\$ 494
Elementary Activities	(801)	801	0	0
Class of 2003	250	0	250	0
Class of 2004	551	0	0	551
Class of 2005	4,138	261	3,542	857
Class of 2006	1,742	0	0	1,742
Class of 2007	914	33	50	897
Class of 2008	225	0	0	225
Class of 2009	361	0	105	256
Class of 2010	0	0	17	(17)
National Honor Society	182	1,052	764	470
Student Council	2,428	6,758	8,297	889
Prom Committee	257	2,283	2,318	222
Year Book	(1,085)	12,662	9,068	2,509
French/Spanish Club	118	0	26	92
Math Counts	0	300	17	283
Drama Club	0	317	252	65
SADD	197	0	0	197
Camp Nesbit	1,579	1,741	3,320	0
Teacher's Lounge	0	0	0	0
Destination Imagination	308	0	0	308
TOTAL HIGH SCHOOL	11,933	31,098	32,991	10,040
ELEMENTARY SCHOOL				
Activities	1,321	824	1,763	382
Athletics	13	131	53	91
Book Fair	0	2,699	2,699	0
Jean Donation	87	68	0	155
Student Council	53	77	58	72
After School Science	116	600	600	116
Reading Month	133	0	130	3
Camp Nesbit	0	4,225	2,589	1,636
Occasional	0	985	532	453
TOTAL ELEMENTARY SCHOOL	1,723	9,609	8,424	2,908
TOTAL LIABILITIES	\$ 13,656	\$ 40,707	\$ 41,415	\$ 12,948

ADAMS TOWNSHIP SCHOOL DISTRICT
SCHOLARSHIP FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2005</u>
ASSETS				
Investments	\$ 45,738	\$ 14,574	\$ 14,600	\$ 45,712
Due from General Fund	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 46,238</u>	<u>\$ 14,574</u>	<u>\$ 15,100</u>	<u>\$ 45,712</u>
LIABILITIES				
Scholarship funds	<u>\$ 46,238</u>	<u>\$ 14,074</u>	<u>\$ 14,600</u>	<u>\$ 45,712</u>
TOTAL LIABILITIES	<u>\$ 46,238</u>	<u>\$ 14,074</u>	<u>\$ 14,600</u>	<u>\$ 45,712</u>



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LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education
Adams Township School District
Painesdale, Michigan

In connection with our audit of the financial statements of Adams Township School District, as of and for the year ended June 30, 2005, the following concerns regarding the accounting records, procedures, and internal control structure came to our attention.

Our comments are based upon conditions noted during our audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

Insured Deposits

We noted approximately sixty-eight percent (68%) of the School's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend extending deposits to various financial institutions to decrease the risk of potential loss to the District.

We would like to thank the administrative staff for the cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

This report is intended for the information of the School District's Board of Education, the cognizant audit agency, and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

September 7, 2005